

FDIC State Profile

Summer 2004

New Jersey

New Jersey's employment trends have outperformed the nation since mid-2003.

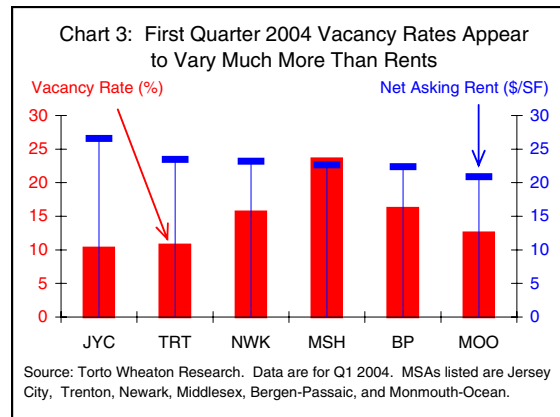
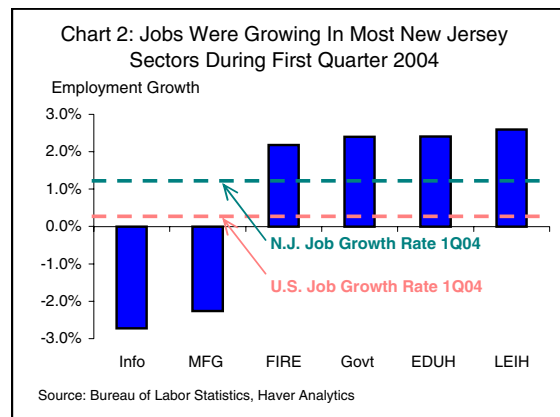
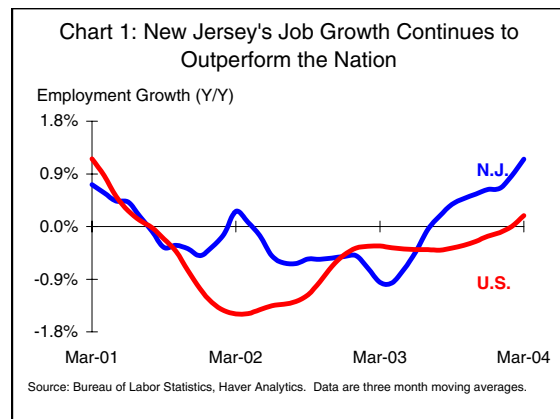
- Employment performance in New Jersey has exceeded the nation since second half 2003 and continued to gather strength in first quarter 2004 (See Chart 1).
- Several of the state's industry sectors did not experience any job losses during the 2001 recession and the ensuing recovery.
- Education and health services, leisure and hospitality, and government are among New Jersey's strongest sectors, comprising 38 percent of the state's employment base (See Chart 2).
- The eastern and southern part of the state, including Atlantic-Cape May, Monmouth-Ocean, and Vineland, have shown the strongest job growth. These areas have relatively high employment concentrations in expanding industry sectors, such as education, health and government.

Office market conditions varied across the state.

- Asking rents in the Northern New Jersey office market remained in a tight band in first quarter 2004, while office vacancy rates varied (See Chart 3).
- Residual effects from downsizing in the telecom industry contributed to the higher vacancy rate in Middlesex. Almost 25 percent of the vacant space in Middlesex is "sublet vacant" and is vulnerable to repricing at lower rents once current leases expire.

Home price appreciation rates remained high across the state.

- The state's rate of home price appreciation decelerated through first quarter 2004 to 10.93 percent, but remained above the national average of 7.71 percent. Appreciation in Atlantic-Cape May, Monmouth-Ocean, and Jersey City exceeded 11 percent.
- Net inward migration, structural rigidities such as zoning restrictions and lack of space for new building have contributed to strong home price growth.



State Profile

FDIC-insured institutions headquartered in New Jersey continue to report favorable credit quality.

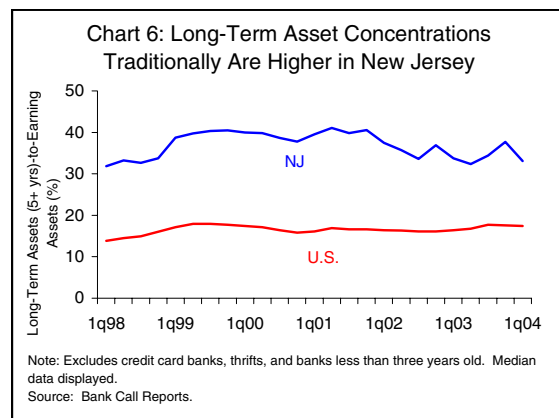
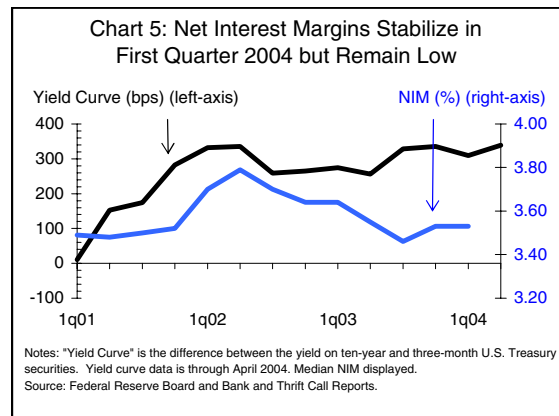
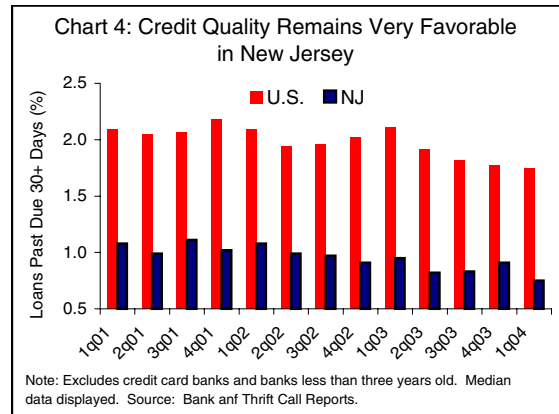
- Credit quality reported by FDIC-insured institutions headquartered in New Jersey improved in first quarter 2004, and compared favorably to national trends (See Chart 4). The median past-due loan ratio at .75 percent was fourth lowest among all U.S. states.
- Past-due loan rates were lower across loan categories in first quarter 2004, reflecting the state's positive employment trend, strong housing markets, and overall favorable economic performance.

Net interest margins may rise with a steeper yield curve, but benefit for many of New Jersey's banks may be modest.

- The state's insured institutions reported a stable net interest margin (NIM) in first quarter 2004 (See Chart 5). However, the median NIM remained below the level of one year ago, as declines in asset yields outpaced reductions in funding costs. Bank margins may widen following significant steepening in the yield curve that occurred in mid-2004.
- Forty percent of New Jersey's banks are residential lenders.¹ Residential lenders may benefit to a lesser extent from higher interest rates because these banks typically have a larger share of assets locked in at long-term rates than do other banks.
- The median ratio of long-term assets-to-average earning assets for New Jersey's banks is well above the nation's due in large part to a high concentration of residential lenders (See Chart 6). Insured institutions with high concentrations of long-term assets may face margin compression, asset depreciation, and extension in asset duration if interest rates continue to rise, thereby heightening the importance of proper interest rate risk management practices.

Banking industry consolidation has altered the landscape for deposit competition.

- Industry consolidation has resulted in a change of market share leaders in New Jersey from regional banks to super-regional and money center banks. In 1998, three of the top five banks in terms of deposit market share were headquartered in the state and held 26 percent of New Jersey's deposits. As of June 2003, only two of the top five banks are local, holding 11 percent of deposits.



¹"Residential Lenders" are defined as insured institutions that hold at least 50 percent of assets in the total of one-to-four family mortgage loans and mortgage backed securities.

State Profile

New Jersey at a Glance

General Information	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Institutions (#)	144	148	152	153	146
Total Assets (in thousands)	155,430,946	141,498,198	123,810,438	113,160,332	156,507,286
New Institutions (# < 3 years)	6	14	23	29	24
New Institutions (# < 9 years)	42	43	44	41	33
Capital	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Tier 1 Leverage (median)	9.25	9.13	9.98	10.31	9.61
Asset Quality	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Past-Due and Nonaccrual (median %)	0.72%	0.93%	1.03%	0.88%	1.06%
Past-Due and Nonaccrual >= 5%	6	5	8	6	9
ALLL/Total Loans (median %)	1.02%	1.05%	1.00%	0.96%	0.93%
ALLL/Noncurrent Loans (median multiple)	2.98	2.21	2.01	2.05	1.62
Net Loan Losses/Loans (aggregate)	0.11%	0.10%	0.31%	0.23%	0.25%
Earnings	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Unprofitable Institutions (#)	10	14	21	27	22
Percent Unprofitable	6.94%	9.46%	13.82%	17.65%	15.07%
Return on Assets (median %)	0.84	0.83	0.86	0.66	0.81
25th Percentile	0.53	0.49	0.44	0.19	0.44
Net Interest Margin (median %)	3.54%	3.65%	3.66%	3.54%	3.76%
Yield on Earning Assets (median)	5.01%	5.45%	6.25%	7.31%	7.23%
Cost of Funding Earning Assets (median)	1.42%	1.83%	2.48%	3.85%	3.55%
Provisions to Avg. Assets (median)	0.06%	0.07%	0.08%	0.08%	0.07%
Noninterest Income to Avg. Assets (median)	0.32%	0.36%	0.36%	0.38%	0.37%
Overhead to Avg. Assets (median)	2.56%	2.69%	2.80%	2.78%	2.73%
Liquidity/Sensitivity	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Loans to Deposits (median %)	70.09%	68.03%	70.82%	68.75%	71.02%
Loans to Assets (median %)	57.07%	56.35%	58.94%	57.23%	57.65%
Brokered Deposits (# of Institutions)	23	19	17	11	11
Bro. Deps./Assets (median for above inst.)	3.27%	4.66%	6.47%	4.47%	1.10%
Noncore Funding to Assets (median)	16.24%	14.95%	14.37%	14.29%	13.33%
Core Funding to Assets (median)	71.76%	73.81%	73.40%	72.81%	73.52%
Bank Class	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
State Nonmember	51	52	51	50	47
National	22	22	24	26	24
State Member	5	6	6	4	5
S&L	10	11	11	11	13
Savings Bank	31	31	34	35	30
Stock and Mutual SB	25	26	26	27	27
MSA Distribution	# of Inst.	Assets	% Inst.	% Assets	
Newark NJ PMSA	30	15,457,426	20.83%	9.94%	
Bergen-Passaic NJ PMSA	26	52,913,417	18.06%	34.04%	
Philadelphia PA-NJ PMSA	22	20,602,944	15.28%	13.26%	
Middlesex-Somerset-Hunterdon NJ PMSA	19	26,155,170	13.19%	16.83%	
Jersey City NJ PMSA	12	20,979,154	8.33%	13.50%	
Monmouth-Ocean NJ PMSA	11	6,869,842	7.64%	4.42%	
Trenton NJ PMSA	10	6,151,281	6.94%	3.96%	
Atlantic-Cape May NJ PMSA	9	2,536,424	6.25%	1.63%	
Vineland-Millville-Bridgeton NJ PMSA	5	3,765,288	3.47%	2.42%	